Ready to Take Advantage of Market Growth?

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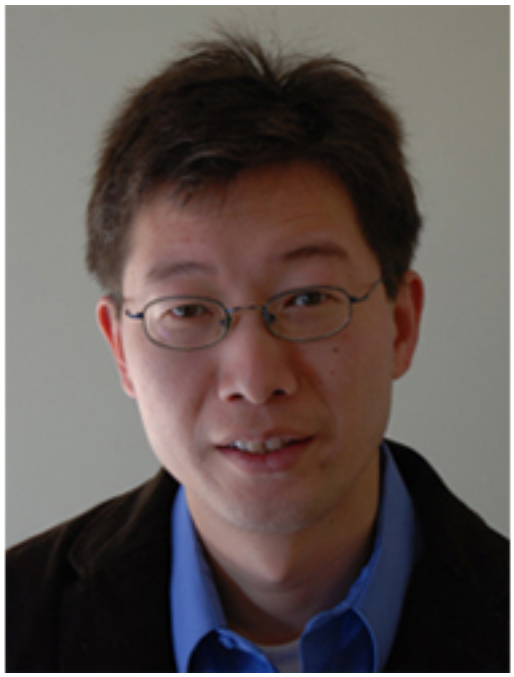

Economy across the globe is showing signs of life again after a deep recession. Many mid-sized companies are looking to take advantage of it by setting up operations in other countries and regions — many are even going global for the first time. While these can be exciting times for any organization, they also present a new set of operational challenges for their managers:

1. How do they ensure that their supply chain stays responsive as they balance supply to meet increasing global demand for their products?
2. How do they keep customer service levels within control despite the expansion?
3. How do they keep their inventory costs from spiraling out of control?
4. How do they manage their financial planning, reporting and compliance processes?

To manage increasing operational and financial complexity, as well as avoid negative surprises, corporate typically betters coordination among far-flung operations, as well as better visibility into key performance metrics.

As the organization begins to grow and go global, managers need to ensure that they have an underlying enterprise business system that supports the new global operations/supply chain model and provides visibility into key metrics. Many organizations in this situation find that their existing systems are unable to support the global operations plans. They typically use spreadsheets or point solutions (or

old legacy systems), and find that these systems cannot address the issues discussed above.

For example, they may find it challenging to get a consolidated view into demand at the right level to plan their supply. Spreadsheets and manual systems are likely to introduce errors. These manual systems also limit their ability to rapidly plan and re-plan supply based on changes in customers' orders, which negatively affects inventory or customer service levels. Local sourcing rules further complicate procurement and supply planning, especially if these processes are managed using manual methods.

What the management needs is a global view of its inventory and operations, as well as tight coordination between manufacturing and distribution operations to ensure an efficient supply chain. In addition, they want a consolidated view into the company's financial data so that they have clear visibility into their costs and margins. This ensures that the organization is able to monitor its financial and operational model closely as it prepares to take on the significant new risks of going global.

An integrated business system (enterprise resource planning or ERP) that brings together all value chain processes — financial, sales, marketing, procurement, distribution, manufacturing and service — is the right approach. Such a system enables organizations to integrate their business processes; coordinate activities among these processes; make them more efficient; and increase the velocity of information flow within their four walls, as well as with customers and suppliers. With such a system, managers at mid-sized organization are better prepared to profitably and predictably manage growth.

However, many mid-sized companies may choose to run their new regional operations in a decentralized fashion to provide their managers the freedom to flourish in their local markets without being burdened by corporate processes. In such an instance, their manufacturing, distribution, procurement and accounting operations may be run locally (not integrated with corporate, and on a different business system designed for smaller or specialty operations) and corporate gets consolidated financial data. This is called a two-tier ERP model and is gaining increasing popularity among users.

As a result, some mid-sized companies may either require a completely integrated model as they go global (single ERP system across its operations), whereas others may choose a two-tier ERP model for certain operations. Hence, when selecting a global business system, an organization needs to ensure that their system is able to support both business scenarios concurrently.

An integrated business information system alone is not enough. As organizations grow, their managers need a business intelligence (BI) system to enable them to better understand and analyze their performance, and make decisions based on facts rather than on instincts. The BI system delivers accurate dashboards, reports and analysis at the right level of detail to the right person in a timely manner, so decision-making can be improved. It also provides budgeting, planning and

consolidation capabilities to enable finance to better manage its process complexity, as the organization goes global.

The combination of BI and ERP improves agility by streamlining and integrating financial, operational, sales and marketing processes, and then succinctly surfacing information on what is working and what is not on an ongoing basis, so managers can correctly prioritize and rapidly act/react. The combination also sharpens the market focus by providing every manager within the organization with the same version of truth, so there is alignment between strategy and operations, and any disconnects are eliminated. Because of such capabilities, these two technologies provide a core foundation for consistent execution.

With the economy showing positive signs across the globe, mid-sized companies are looking to take advantage of the market opportunities and go global. But these companies need to make sure they have the underlying business information systems to enable them to execute according to their plans, as well as monitor progress continuously. With an ERP (centralized or two-tier) and BI infrastructure in place, they are better positioned to manage their operational and financial complexity that comes with growth.

Thomas Tan is responsible for marketing the SME *[1] (Small Business and Mid-sized Enterprises) product portfolio.*

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